

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suedeen G. Kelly.

Northern Natural Gas Company

Docket No. RP05-296-000

ORDER ACCEPTING TARIFF SHEETS

(Issued May 31, 2005)

1. On April 29, 2005, Northern Natural Gas Company (Northern) filed revised tariff sheets<sup>1</sup> pursuant to sections 53A and 53B of its General Terms and Conditions (GT&C) to establish its annual fuel use (fuel) and unaccounted for (UAF) percentages for the 12-month period commencing June 1, 2005. Northern also requests waiver of section 53A of its GT&C to file its 2005-2006 Market Area Winter Season mainline fuel percentages in the instant filing, rather than wait until July 1, 2005, as provided in its tariff. Northern proposes the Market Area Winter Season fuel percentages become effective November 1, 2005.

2. We accept Northern's revised tariff sheets effective as set forth in the Appendix. This acceptance benefits the public by ensuring that Northern's proposed fuel and UAF percentages accurately reflect Northern's fuel and UAF costs.

**Details of Filing**

3. Northern's fuel reimbursement filing sets forth its proposed Field Area and storage fuel percentages, and UAF percentages, for the Periodic Rate Adjustment (PRA) period June 1, 2005, through May 31, 2006. Northern calculates its Field Area and storage fuel and UAF percentages using actual data for the 12-months ending March 31, 2005. In general, Northern proposes to increase its mainline fuel percentage in the Permian Area from 1.28 percent to 2.06 percent, and in the Mid-Continent Area from 2.05 percent to 2.64 percent. Northern states the increase in Permian Area fuel percentage resulted primarily from a significant decrease in Permian transportation volumes due to outages in that region.

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<sup>1</sup> See Appendix.

4. Northern proposes to decrease its storage fuel retention from 0.95 percent to 0.81 percent, and its system-wide UAF from 0.38 percent to 0.13 percent. Further, Northern proposes a Market Area Electric Compression charge of \$0.0002, which it derives from a \$0.0001 actual charge and a \$0.0001 true-up charge.<sup>2</sup>

5. Finally, Northern requests waiver of section 53A of its GT&C to file its Market Area fuel percentages for the Winter Season in the instant filing instead of on July 1, 2005, as mandated by its tariff. Northern calculates its Market Area Winter Season fuel percentages using actual operational data from November 1, 2004, through March 31, 2005. Northern proposes a Market Area Winter Season fuel percentage of 1.47 percent, which remains unchanged from its currently effective Market Area Winter Season fuel percentage. Northern proposes that this percentage become effective November 1, 2005, and extend through March 31, 2006. Northern states it is filing early to allow customers more time to plan, and because it already has the data it needs to calculate the percentage.

### **Notice**

6. The Commission issued notice of Northern's filing on May 4, 2005. Interventions, comments, and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2004)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Indicated Shippers filed a protest, which we discuss below. Northern filed an answer responding to Indicated Shippers' concerns. Its answer included a revised Schedule 5M correcting a numerical error from its underlying filing. We accept Northern's answer since it will help resolve issues in this proceeding.

### **Discussion**

7. Northern's fuel reimbursement filing, as amended, fully complies with sections 53A and 53B of its GT&C. Accordingly, we accept Northern's revised fuel and UAF percentages for June 1, 2005, through May 31, 2006. Further, we grant waiver and accept Northern's Market Area Winter Season fuel percentages effective November 1, 2005.

8. Indicated Shippers raise several concerns regarding Northern's filing. First, it identifies certain inconsistencies in Northern's fuel and UAF calculations reflected on Schedules 3F and 5F. For example, Indicated Shippers note that Northern's annual fuel

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<sup>2</sup> The true-up charge collects underrecovered costs from the previous PRA period.

consumed for MID<sup>3</sup> 10 is 236,337 Dt on Schedule 3F, but 243,032 Dt on Schedule 5F. Indicated Shippers assert that reconciling this figure would lower Northern's total fuel percentage for MID 10 from 0.79 percent to 0.77 percent. Also, Indicated Shippers contend that Northern omitted from Schedule 3F its fuel retained for MID 2, whereas Schedule 5F shows that Northern consumed 32,819 Dt and retained 33,904 Dt at MID 2. Indicated Shippers find this omission problematic because Northern shows on its schedules that MID 2 had no throughput during the relevant period, but failed to explain how it consumed fuel under such circumstances.

9. In its May 17, 2005, answer, Northern explains that no inconsistencies exist between Schedules 3F and 5F because each represents different figures. Data on Schedule 3F are based on forward-looking calculations using total throughput for each MID to calculate the new 2005 fuel percentages, whereas Schedule 5F shows the true-up calculation which is backward-looking comparing actual fuel consumed with actual fuel retained for the prior PRA period to determine the true-up adjustment. Regarding Indicated Shippers' assertion that Schedule 5F reflects fuel consumption at MID 2 even though there was no throughput, Northern explains that an abandoned compressor station in that region is not expected to consume fuel in the next PRA period (for purposes of Schedule 3F), but that past fuel burned is still relevant to the true-up calculation on Schedule 5F.

10. Indicated Shippers also question inconsistencies in the Field Area and Market Area mainline fuel percentage calculations between Northern's Schedules 1, 3M, 4M, and 5M. As an example, Indicated Shippers note that the total fuel consumed listed on page 5 of Schedule 5M for MIDs 8 to 16b is 9,082,380 Dt, whereas the total fuel consumed for MIDs 8 to 16b listed on Schedule 3M is 9,082,286 Dt. Indicated Shippers provide examples of similar inconsistencies between the rate schedules. It adds that Northern fails to provide any rationale for these inconsistencies.

11. In its answer, Northern explains that the various schedules represent different figures and calculations. For example, Schedule 3M shows the new 2005 PRA rates whereas Schedule 5M calculates the true-up adjustment by comparing the actual fuel retained and fuel consumed. Northern adds that it had included footnotes in the underlying filing addressing certain inconsistencies that Indicated Shippers raise. Finally, Northern notes that as a result of Indicated Shippers' protest, it identified one numerical error on its Schedule 5M. Accordingly, Northern filed with its answer a revised Schedule 5M correcting the error. Northern notes that this error did not change its final fuel percentages from the underlying filing.

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<sup>3</sup> Mileage Indicator District.

12. Indicated Shippers raise two other questions regarding Northern's filing. First, it asks Northern to explain why its Section 2 throughput decreased during the PRA period ending May 31, 2005. In its answer Northern, explains that its 3.9-percent decrease in Section 2 throughput is because temperatures in Northern's Market Area for the most recent heating season were 6 percent warmer than normal as compared to the prior heating season, where temperatures were only 3 percent warmer than normal.

13. Second, Indicated Shippers point out that, according to Northern, fuel use increased by over 15,000 Dt in Section 2<sup>4</sup> as compared to the prior PRA period, but throughput decreased by almost 15 million Dt. It also notes that fuel use in Section 1 decreased by about 27,000 Dt compared to the prior PRA period, while throughput decreased by over 50 million Dt. Indicated Shippers ask Northern to explain why fuel use in Section 2 increased during the current PRA period, even though throughput decreased, and why fuel use did not decrease as dramatically as its throughput in Section 1.

14. In its answer, Northern states that it is not uncommon for fuel consumption to increase even where throughput decreases, because fuel use volumes and throughput volumes are not directly proportional. Northern contends that daily flows, load factor, and varying pressure differentials significantly affect fuel-to-throughput relationships. Northern adds that shippers on its system dictate where and how gas flows when nominating service on Northern's system, and as a result, fuel usage may fluctuate depending upon a shipper's selected receipt and delivery points and the associated compression requirements. Accordingly, changes in shipper behavior from one annual PRA period to the next may change fuel use. Consistent with our holdings in *Northern*,<sup>5</sup> the Commission accepts this explanation as to why fuel usage and throughput do not always vary proportionally.

15. Finally, Indicated Shippers ask the Commission to direct Northern to reexamine its fuel reimbursement filing for other possible errors. We reject this request. We find that Northern satisfactorily addressed all relevant points that Indicated Shippers raise in its protest. Accordingly, we accept Northern's filing and grant waiver of section 53A to permit inclusion of the 2005-2006 Market Area Winter Season mainline fuel percentages.

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<sup>4</sup> Section 1 consists of MIDs 1 through 7. Section 2 consists of MIDs 8 through 16.

<sup>5</sup> *Northern Natural Gas Company*, 104 FERC ¶ 61,316 (2003).

The Commission orders:

Northern's revised tariff sheets are accepted effective as set forth in the Appendix.

By the Commission.

( S E A L )

Linda Mitry,  
Deputy Secretary.

**Appendix**

Northern Natural Gas Company  
Fifth Revised Volume No. 1

Tariff Sheets Accepted Effective June 1, 2005

2 Rev Substitute 71 Revised Sheet No. 50  
2 Rev Substitute 72 Revised Sheet No. 51  
2 Rev Substitute 35 Revised Sheet No. 52  
2 Rev Substitute 70 Revised Sheet No. 53  
21 Revised Sheet No. 54  
2 Rev Substitute 19 Revised Sheet No. 56  
2 Rev Substitute 30 Revised Sheet No. 60  
2 Rev Substitute 10 Revised Sheet No. 60A  
18 Revised Sheet No. 61  
18 Revised Sheet No. 62  
20 Revised Sheet No. 63  
19 Revised Sheet No. 64

Tariff Sheets Accepted Effective November 1, 2005

22 Revised Sheet No. 54  
21 Revised Sheet No. 63  
20 Revised Sheet No. 64